

CLARKE COUNTY SANITARY LANDFILL COMMISSION

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2020

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Clarke County Sanitary Landfill Commission

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Dean Robbins	Chairman	Clarke County
Christian Boehmer	Secretary-Treasurer	Clarke County Engineer
Harley Pippin	Member	City of Woodburn
Jeannie Cress	Member	City of Murray
Randy Short	Member	At Large



# FALLER, KINCHELOE & CO, PLC

## Certified Public Accountants

### Independent Auditor's Report

To the Members of the  
Clarke County Sanitary Landfill Commission:

#### Report on the Financial Statements

We have audited the accompanying financial statements of Clarke County Sanitary Landfill Commission (Commission), as of and for the year ended June 30, 2020, and the related Notes to Financial Statements which collectively comprise the Clarke County Sanitary Landfill Commission's basic financial statements listed in the table of contents.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Clarke County Sanitary Landfill Commission as of June 30, 2020, and the changes in its financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

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## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis on pages 6 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 2, 2021 on our consideration of the Clarke County Sanitary Landfill Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Clarke County Sanitary Landfill Commission's internal control over financial reporting and compliance.



Faller, Kincheloe & Co, PLC

February 2, 2021

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Clarke County Sanitary Landfill Commission (Commission) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended June 30, 2020. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

### **2020 FINANCIAL HIGHLIGHTS**

- The Commission's operating revenues decreased 25.8%, or \$17,551, from fiscal year 2019 to fiscal year 2020. Withdrawn member contributions toward postclosure care costs decreased.
- The Commission's operating expenses were 42.7%, or \$31,467, less in fiscal year 2020 than in fiscal year 2019.
- The Commission's net position increased \$9,052 from June 30, 2019 to June 30, 2020.

### **USING THIS ANNUAL REPORT**

The Clarke County Sanitary Landfill Commission is a 28E organization and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis is intended to serve as an introduction to the Clarke County Sanitary Landfill Commission's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Commission's financial activities.

The Statement of Net Position presents information on the Commission's assets and deferred outflows of resources less the Commission's liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position is the basic statement of activities for proprietary funds. This statement presents information on the Commission's operating revenues and expenses, non-operating revenues and expenses and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Commission's cash and cash equivalents during the year. This information can assist readers of the report in determining how the Commission financed its activities and how it met its cash requirements.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

## FINANCIAL ANALYSIS OF THE COMMISSION

### *Statement of Net Position*

As noted earlier, net position may serve over time as a useful indicator of the Commission's financial position. The Commission's net position increased from (\$60,781), at June 30, 2019 to (\$51,729) at June 30, 2020. A summary of the Commission's net position is presented below.

Net Position		
	June 30,	
	2020	2019
Current assets	\$ 4,098	54,799
Restricted investments	505,233	504,556
Prepaid expenses	1,478	-
Capital assets at cost, less accumulated depreciation	9,842	10,973
Total assets	520,651	570,328
Current liabilities	12,920	48,339
Noncurrent liabilities	559,460	582,770
Total liabilities	572,380	631,109
Net position:		
Net investment in capital assets	9,842	10,973
Restricted	-	504,556
Unrestricted	(61,571)	(576,310)
Total net position	\$ (51,729)	(60,781)

The unrestricted portion of the Commission's net position may be used to meet the Commission's obligations as they come due. The invested in capital assets (e.g., land, buildings and equipment) are resources allocated to capital assets. State and federal laws and regulations require the Commission to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure.

### *Statement of Revenues, Expenses and Changes in Net Position*

Since the landfill is closed, operating revenues are received from assessments from the residents of the member Cities and the County and from the withdrawn member contribution toward postclosure care costs. Operating expenses are expenses paid to maintain the landfill. Non-operating revenues and expenses are for interest income and interest expense. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net position for the years ended June 30, 2020 and 2019 is presented below:

Changes in Net Position		
	Year ended June 30,	
	2020	2019
Operating revenues:		
County and city per capita assessments	\$ 50,000	50,000
Withdrawn member contribution toward postclosure care costs	519	18,097
Other operating revenues	72	45
Total operating revenues	50,591	68,142
Operating expenses		
Postclosure care	62,508	84,460
Reduction in landfill accrued postclosure care	(59,290)	(35,980)
Engineering	20,010	-
Recycling fees	9,600	10,227
Insurance	503	1,916
Depreciation	1,131	1,132
Permit/License	584	-
Legal and accounting fees	5,300	4,000
Contractual office services	1,694	6,860
Other recycling expenses	200	1,092
Total operating expenses	42,240	73,707
Operating income	8,351	(5,565)
Non-operating revenues (expenses):		
Interest income	701	787
Interest expense	-	(51)
Net non-operating revenues (expenses)	701	736
Change in net position	9,052	(4,829)
Net position beginning of year	(60,781)	(55,952)
Net position end of year	\$ (51,729)	(60,781)

The Statement of Revenues, Expenses and Changes in Net Position reflects a positive year with an increase in net position at the end of the fiscal year.

In fiscal year 2020, operating revenues decreased \$17,551, or 25.8%, primarily a result of withdrawn member contribution toward postclosure care costs decreasing \$17,578 due to timing of when these amounts are received by the Commission. Operating expenses decreased \$31,467, or 42.7%. The decrease was primarily a result of a reduction in landfill postclosure care expenses by \$23,310.



## *Statement of Cash Flows*

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating and investing activities. Cash provided by operating activities includes per capita assessments and withdrawn member contribution toward postclosure care costs reduced by payments to suppliers. Cash used by investing activities includes interest income.

### **CAPITAL ASSETS**

At June 30, 2020, the Commission had \$9,842 invested in capital assets, net of accumulated depreciation of \$1,213,512. Depreciation expense totaled \$1,131 for fiscal year 2020. More detailed information about the Commission's capital assets is presented in Note 3 to the financial statements.

### **LONG-TERM DEBT**

At June 30, 2020, the Commission had no long-term debt.

### **ECONOMIC FACTORS**

The Clarke County Sanitary Landfill Commission continued to improve its financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for Commission officials. Some of the realities which may potentially become challenges for the Commission to meet are:

- The Commission has stopped accepting waste on January 1, 2011.
- Facilities at the Commission require constant maintenance and upkeep.
- Technology continues to expand and current technology becomes outdated presenting an ongoing challenge to maintain up to date technology at a reasonable cost.
- Annual deposits required to be made to postclosure care accounts are based on constantly changing cost estimates at the facility.

The Commission anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Commission's ability to react to unknown issues.

### **CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Clarke County Sanitary Landfill Commission, Clarke County Courthouse, 100 South Main Street, Osceola, IA 50213.

## Basic Financial Statements

## Clarke County Sanitary Landfill Commission

Exhibit A

## Statement of Net Position

June 30, 2020

**Assets**

## Current assets:

Cash and cash equivalents	\$ 4,098
Total current assets	<u>4,098</u>

## Noncurrent assets:

Restricted cash and cash equivalents	505,233
Prepaid expenses	1,478
Capital assets, net of accumulated depreciation	<u>9,842</u>
Total noncurrent assets	<u>516,553</u>

<b>Total assets</b>	<u><u>520,651</u></u>
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**Liabilities**

## Current liabilities:

Accounts payable	12,181
Unearned revenue	<u>739</u>
Total current liabilities	<u>12,920</u>

## Noncurrent liabilities:

Landfill postclosure care	<u>559,460</u>
Total noncurrent liabilities	<u>559,460</u>

<b>Total liabilities</b>	<u><u>572,380</u></u>
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**Net position**

Net investment in capital assets	9,842
Unrestricted	<u>(61,571)</u>

<b>Total net position</b>	<u><u>\$ (51,729)</u></u>
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See notes to financial statements.

## Clarke County Sanitary Landfill Commission

Exhibit B

## Statement of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2020

## Operating revenues:

County and city per capita assessments	\$ 50,000
Withdrawn member contribution toward postclosure care costs	519
Other operating revenues	<u>72</u>
Total operating revenues	<u>50,591</u>

## Operating expenses:

Postclosure care	62,508
Reduction in landfill accrued postclosure care	(59,290)
Engineering	20,010
Recycling fees	9,600
Insurance	503
Depreciation	1,131
Permit/License	584
Legal and accounting fees	5,300
Contractual office services	1,694
Other	<u>200</u>
Total operating expenses	<u>42,240</u>

Operating income	<u>8,351</u>
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## Non-operating revenues:

Interest income	<u>701</u>
Net non-operating revenues	<u>701</u>

Change in net position	9,052
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Net position, beginning of year	<u>(60,781)</u>
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Net position, end of year	<u>\$ (51,729)</u>
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See notes to financial statements.

## Clarke County Sanitary Landfill Commission

Exhibit C

## Statement of Cash Flows

Year ended June 30, 2020

## Cash flows from operating activities:

Cash received from per capita fees and other revenue	\$ 50,811
Cash received from withdrawn member contributions toward postclosure care costs	519
Cash paid to providers for goods and services	(39,547)
Cash paid to suppliers for postclosure care costs	<u>(62,508)</u>
Net cash used by operating activities	<u>(50,725)</u>

## Cash flows from investing activities:

Interest received	<u>701</u>
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Net decrease in cash and cash equivalents (50,024)

Cash and cash equivalents at beginning of year, as restated 559,355

Cash and cash equivalents at end of year 509,331

**Reconciliation of operating income to net cash used by operating activities:**

Operating income	<u>8,351</u>
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	1,131
Postclosure care	(59,290)
Change in assets and liabilities:	
Prepaid expenses	(1,478)
Accounts payable	(178)
Unearned revenue	<u>739</u>
Total adjustments	<u>(59,076)</u>
Net cash used by operating activities	<u><u>\$ (50,725)</u></u>

## Cash and cash equivalents at end of year consist of the following:

Current assets:	
Cash and cash equivalents	\$ 4,098
Restricted assets:	
Restricted cash and cash equivalents	<u>505,233</u>
Cash and cash equivalents at end of year	<u><u>\$ 509,331</u></u>

See notes to financial statements.

Clarke County Sanitary Landfill Commission

Notes to Financial Statements

June 30, 2020

**(1) Summary of Significant Accounting Policies**

The Clarke County Sanitary Landfill Commission (Commission) was established pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Commission was to operate the sanitary landfill in Clarke County for use by the rural residents of the County as well as the municipalities of Osceola, Woodburn and Murray. In January 2011, the City of Osceola withdrew from the Commission when the landfill stopped collecting solid waste. Following arbitration, the City of Osceola paid the Commission \$201,159 to fund its share of the estimated unfunded closure and postclosure costs as of the date of closure. During the year ended June 30, 2020, the City of Osceola contributed an additional \$519 to fund postclosure care costs.

The Commission is composed of one representative each from Clarke County, the City of Murray and the City of Woodburn. In addition, two members are selected by the representatives of the governing bodies.

The Commission's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, the Clarke County Sanitary Landfill Commission has included all funds, organizations, agencies, boards, commissions and authorities. The Commission has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Commission to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Commission. The Commission has no component units which meet the Governmental Accounting Standards Board criteria.

**B. Basis of Presentation**

The accounts of the Commission are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

The Statement of Net Position presents the Clarke County Sanitary Landfill Commission's nonfiduciary assets and liabilities with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Unrestricted net position consists of net position not meeting the definition of the preceding category. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

C. Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Commission distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Commission's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities and Net Position

The following accounting policies are followed in preparing the Statement of Net Position:

Cash and Cash Equivalents – The Commission considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Restricted Cash and Cash Equivalents – Funds set aside for payment of postclosure care are classified as restricted.

Capital Assets – Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reportable capital assets are defined by the Commission as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land improvements	\$ 25,000
Buildings and improvements	5,000
Equipment	5,000

Capital assets of the Commission are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Land improvements	3-20
Buildings and improvements	15-30
Equipment	5-10

Unearned Revenue – Unearned revenue consists of per capita payments received in advance of when they were due.

(2) **Cash and Cash Equivalents**

Due to the lack of a depository resolution, it is unclear if the Commission's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to ensure there will be no loss of public funds.

The Commission is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Commission; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Commission had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

### (3) Capital Assets

Capital assets activity for the year ended June 30, 2020 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets being depreciated:				
Land improvements	\$ 1,153,304	-	-	1,153,304
Building and improvements	30,111	-	-	30,111
Equipment	39,939	-	-	39,939
Total capital assets being depreciated	1,223,354	-	-	1,223,354
Less accumulated depreciation for:				
Land improvements	1,152,904	-	-	1,152,904
Building and improvements	19,538	-	-	19,538
Equipment	39,939	1,131	-	41,070
Total accumulated depreciation	1,212,381	1,131	-	1,213,512
Total capital assets, net	\$ 10,973	(1,131)	-	9,842

### (4) Closure and Postclosure Care

In December 2008, the Commission entered into an administrative consent order with the Iowa Department of Natural Resources agreeing to close all active cells and accept no additional waste after December 31, 2011.

To comply with federal and state regulations, the Commission is required to complete a monitoring system plan and a closure/postclosure care plan and to provide funding necessary to effect closure and postclosure care, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.



Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total cost consists of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Commission have been estimated at \$559,460 for postclosure care for cells 1 through 6 as of June 30, 2020. These amounts are based on what it would cost to perform all postclosure care during the year ended June 30, 2020. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Commission has begun accumulating resources to fund these costs and, at June 30, 2020, assets of \$505,233 are restricted for postclosure care. They are reported as restricted cash and cash equivalents in the Statement of Net Position.

#### **(5) Risk Management**

The Commission is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 779 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Commission's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The Commission's contributions to the Pool for the year ended June 30, 2020 were \$1,361.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Commission's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Commission's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the Commission's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2020, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The Commission also carries commercial insurance purchased from other insurers for coverage associated with property coverage in the amount of \$637. The Commission assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(6) COVID-19**

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the Commission, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the Commission. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the Commission's operations and finances.

**(7) Subsequent Events**

The Commission has evaluated all subsequent events through February 2, 2021, the date the financial statements were available to be issued.

**(8) Prospective Accounting Change**

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2021. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

**(9) Accounting Restatement**

The cash and cash equivalents amount on the Statement of Cash Flows was restated to properly reflect the cash and cash equivalents balance at July 1, 2019.



# FALLER, KINCHELOE & CO, PLC

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## Certified Public Accountants

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Members of the  
Clarke County Sanitary Landfill Commission:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Clarke County Sanitary Landfill Commission (Commission) as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated February 2, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Commission's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items I-A-20, I-B-20 and I-C-20 to be material weaknesses.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Commission. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

## The Commission's Responses to Findings

The Commission's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The Commission's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Commission during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Faller, Kincheloe & Co., PLC

February 2, 2021

Clarke County Sanitary Landfill Commission

Schedule of Findings

Year Ended June 30, 2020

**Part I: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

**I-A-20 Segregation of Duties**

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the Clarke County Sanitary Landfill Commission (Commission) financial statements.

Condition – Generally, one individual has control over each of the following areas for which minimal or no compensating controls exist:

- (1) Cash – reconciling bank accounts, initiating cash receipts and handling and recording cash.
- (2) Receipts – collecting, depositing, posting and reconciling.
- (3) Accounting system – performing all general accounting functions and having custody of Commission assets.

Cause – The Commission has a limited number of individuals and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the Commission's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The Commission should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff.

Response – The Commission will review its control procedures to obtain the maximum internal control possible with the limited staff it has.

Conclusion – Response acknowledged.

**I-B-20 Preparation of Financial Statements**

Criteria - A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statements and accompanying notes to the financial statements by internal personnel of the entity.

Condition - As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Clarke County Sanitary Landfill Commission

Schedule of Findings

Year Ended June 30, 2020

Cause - We recognize that with a limited number of office employees, preparation of the financial statements and accompanying notes to the financial statements is difficult.

Effect - The effect of this condition is that the year-end financial reporting is prepared by a party outside of the Commission. The outside party does not have the constant contact with ongoing financial transactions.

Recommendation - We recommend that Commission officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances to enable staff to draft the financial statements and accompanying notes to the financial statements internally.

Response – These are very technical issues that the average citizen would not understand. This issue relates to auditor independence issues, and we accept the risk associated with not being able to prepare these documents and apply accounting principles in accordance with generally accepted accounting principles.

Conclusion – Response acknowledged.

I-C-20 Financial Reporting

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the Commission's financial statements.

Condition – Material amounts of receivables and liabilities were not properly recorded on the accounting system.

Cause – Commission policies do not require and procedures have not been established to provide for an independent review of the financial statements and transactions to ensure these amounts are materially accurate.

Effect – Lack of Commission policies and procedures resulted in personnel not detecting the errors in the normal course of performing their assigned functions. As a result, material adjustments to the Commission's financial statements were necessary.

Recommendation – The Commission should establish procedures to ensure all transactions are properly recorded and reported in the Commission's financial statements.

Response – We will implement this recommendation to the best of our ability.

Conclusion – Response acknowledged.

**INSTANCES OF NONCOMPLIANCE:**

No matters were noted.

Clarke County Sanitary Landfill Commission

Schedule of Findings

Year Ended June 30, 2020

**Part II: Other Findings Related to Required Statutory Reporting:**

II-A-20 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-B-20 Travel Expense – No expenditures of Clarke County Sanitary Landfill Commission (Commission) money for travel expenses of spouses of Commission officials or employees were noted.

II-C-20 Restricted Donor Activity – No transactions were noted between the Commission, Commission officials, Commission employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

II-D-20 Commission Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not, except that the Commission does not publish its minutes or the schedule of bills allowed, as required by Chapter 28E of the Code of Iowa.

Recommendation – The Commission should ensure that the minutes and schedule of bills allowed are published in the newspaper as required by the Code of Iowa.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

II-E-20 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa were noted, except as follows:

- The Commission has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.
- The Commission has not approved a depository resolution as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – The Commission should adopt a written investment policy to comply with the provisions of Chapter 12B.10B of the Code of Iowa. The Commission should also approve a depository resolution to comply with the provisions of Chapter 12C.2 of the Code of Iowa.

Response – We will implement these recommendations.

Conclusion – Response acknowledged.

II-F-20 28E Agreement – The Commission's 28E agreement is out of date. Among other things, it lists the City of Osceola as a member of the 28E agreement. However, the Commission indicates that the City of Osceola is no longer a member of the Commission.

Recommendation – The Commission should consult with legal counsel regarding the disposition of this matter.

Response – We will review this and take appropriate action.

Conclusion – Response acknowledged.

Clarke County Sanitary Landfill Commission

Schedule of Findings

Year Ended June 30, 2020

- II-G-20 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the Commission to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The Commission does not receive an image of the back of each cancelled check.

Recommendation – The Commission should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

- II-H-20 Financial Assurance – The Commission has demonstrated financial assurance for closure and postclosure care of cells 1 through 6 by establishing a local government dedicated fund as provided in Chapter 567-113.14(6) of the Iowa Administrative Code. The calculation is made as follows:

	<u>Cells 1 through 6</u>
Total estimated costs for postclosure care	<u>\$ 559,460</u>
Amount Commission has restricted for postclosure care at June 30, 2020	<u>\$ 505,233</u>

Recommendation – The Commission will need to provide further financial assurance through a letter of credit or local government guarantees for the balance of the unfunded postclosure care costs.

Response – The Commission credited the appropriate amount to the postclosure care bank account in July 2020, and at July 20, 2020, the balance in the postclosure care bank account was \$559,460.27.

Conclusion – Response acknowledged.